



**REMARKS BY THE GOVERNOR
OF THE COMMONWEALTH OF PUERTO RICO
HONORABLE RAFAEL HERNANDEZ COLON
AT THE PHARMACEUTICAL MANUFACTURERS
ASSOCIATION ANNUAL MEETING**

OCTOBER 31, 1989

HYATT DORADO BEACH

It is always a great pleasure for me to be among friends of Puerto Rico, and a great honor to have been invited to share with you these moments.

Before I proceed with my remarks, I must pause to thank you for your help and direct involvement in the relief efforts after Hurricane Hugo.

We in Puerto Rico are very proud of our industry. It was only a little more than 40 years ago when the average worker in Puerto Rico attended school for three years or less, spending most of a short and harsh life cutting sugar cane for 15 cents a day. Our average life span was 46 years and our annual per capita was barely \$150. Today our life span is 75 years and our per capita income is near \$6,000.

What we accomplished in 40 years, through Operation Bootstrap, is owed to the outstanding relationship between business leaders with vision and courage, a people who believed in hard work, and a government committed to the realization of a common dream: a stronger and wealthier Puerto Rico. Our accomplishments proved to the world the

strength of working together. We demonstrated that the will to succeed has no limits.

Industry today continues to play a key role in our Island's economy, being the pharmaceutical industry one of its main pillars. One out of every eight pills manufactured in the world comes from Puerto Rico. This fact usually comes as a surprise to many and is regarded as an outstanding achievement. For us, it is but a sample of what we are willing to achieve.

Over the years, the Commonwealth of Puerto Rico has provided the best climate of profit and growth through the benefits of Section 936 of the American Tax Code, our special tax incentives, the abundance of skilled workers, and the modern infrastructure of communications and transportation that provides dependable direct access to every major market in the world.

The combination of these factors have had remarkable results. In the pharmaceutical industry, for example, for every dollar of production wages paid to Puerto Rican workers, they

returned \$21.49 in value, almost 2.5 times higher than the equivalent figure for the U.S. average, which was \$10.91. Profit/sales ratios for the pharmaceutical industry in Puerto Rico are 46.02% compared to 6.63% in the U.S.

On the other hand, the pharmaceutical industry has provided nearly 15,000 jobs in Puerto Rico and invested \$2.62 billion. Moreover, the pharmaceutical products industry accounts for approximately 29.5% of the value of total shipments off the Island. These shipments have grown from \$900 million in 1979 to over \$4 billion in 1989, an increase of over 340 percent. Exports constitute a strong force in the economic development of Puerto Rico.

My administration has fought to establish and maintain a healthy and growing economy. We have been successful. During the past three years our GNP growth surpassed that of the U.S.

My government is committed to the enhancement of this positive economic climate and of Puerto Rico's competitiveness in the new international

economy. We have been taking steps to respond to the challenges ahead of us. Our agenda, among other important issues, includes two of the utmost importance to industrial sectors: the expansion and upgrading of our present infrastructure and technology, and the strengthening of our Commonwealth's economic advantages, such as Section 936.

Section 936, along with Puerto Rico's fiscal autonomy to grant concessionary tax rates, have been the basis of our industrial development and our successful economic expansion. Thanks to this unique tax-sparing formula --possible only under the Commonwealth status-- we have also created an important pool of low-cost capital.

The partnership that the Commonwealth of Puerto Rico has developed with the 936 corporations has demonstrated to be more than just successful manufacturing. Five years ago we promised that we were going to assist in the economic development of the Caribbean Basin and we did it. We believed that the combination of Section 936 with the

incentives provided by our government were able to transform this region. We were correct. Eleven countries in the region are eyewitnesses of the development of the twin plant concept sponsored by the Commonwealth. Over 14,000 jobs and more than \$165 million in direct investment are the net result of these efforts. Close to \$100 million in Commonwealth 936-Funds are already being channelled to projects in the Caribbean countries.

It is evident that a strong Commonwealth is beneficial to our neighbors. Puerto Rico has positioned itself to serve as a catalyst in the Caribbean. And of course, the stronger the ties with the region, the stronger support we will receive to enhance Section 936 and the other incentives we have, to maintain the successful partnership between you and the Commonwealth of Puerto Rico.

I know that many of your companies have already joined us with complementary projects in Grenada, Costa Rica and Dominican Republic. But the work is not over. We must continue creating

jobs, investing and helping in the development of a stronger Caribbean, able to fight against the shadow of communism. I invite you once more to look into the virtues of the "twin plant" concept, but more important to become a supporter of this great combination.

Many of you may wonder why, in times of such economic prosperity, we have called for a plebiscite on our political relationship with the United States. Well, it is precisely because we want this prosperity to continue. We want to provide a safe ground for a sustained economic growth by eliminating the uncertainty created by anti-commonwealth forces over our future political relationship with the U.S.

Our government wants to give the people of Puerto Rico an opportunity to express their view on the question of status. My administration is fully committed to the Commonwealth status and to the perpetuation of Section 936. Statehood or independence would eliminate Section 936 and the

current tax incentives that spur our economic development.

The plebiscite will finish once and for all the uncertainty created by anti-commonwealth forces within the island, and in the mainland. I am convinced that the strength of reason and the virtues of local economic autonomy will ultimately prevail. The people of Puerto Rico are firm believers in an open and free economy, and will be backing our position at the time of the plebiscite, scheduled for 1991. As a result Section 936 will be strengthened and the economic future of our island secured.

Back in 1986, when Treasury wanted to eliminate Section 936, we fought together as a great team and won. Now the time has come to unite again. Your support will help us in enhancing furthermore the economic development and progress we have enjoyed under the status of Commonwealth. Our goal is to achieve new heights during the next decade. The time has come to enter into a new dimension of growth, of well-being and prosperity

under the permanent brotherhood of two flags, the
American and the Puerto Rican banners.

